

# DANA POINT HARBOR MARINA

**\$15,000,000 Loan**  
**Phase II Funding: \$3,700,000**

## SUMMARY

In FY 2004/05, the Boating and Waterways Commission approved a loan to the County of Orange (County) to improve the Dana Point Harbor Marina. This report concerns second phase funding of \$3,700,000 for that loan. The loan is being phase-funded to better allocate DBW resources.

Dana Point Harbor is located in the City of Dana Point, along the southern shoreline of Orange County. The City and Harbor are midway (approximately 15 miles) between the City of Oceanside to the south and the City of Newport Beach to the north.

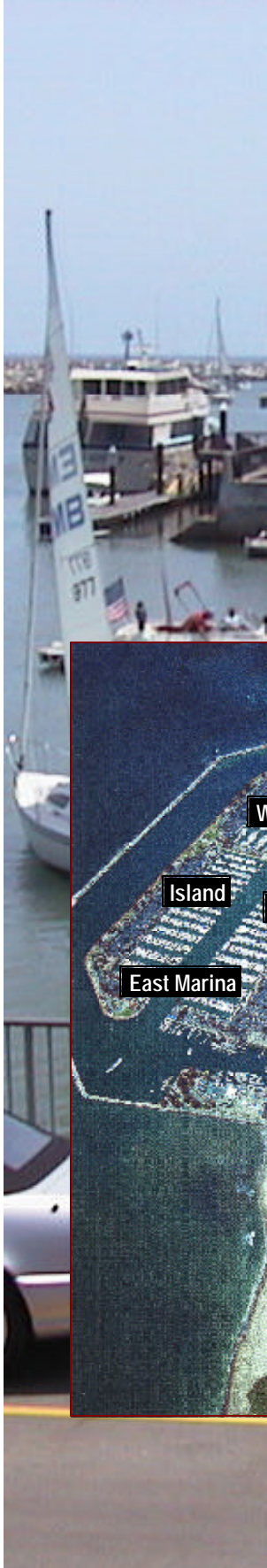
The harbor is divided into two marinas, the East Marina, originally constructed in 1971, and the West Marina, originally constructed in 1975. The U.S. Army Corps of Engineers constructed the east and west breakwaters which formed the Dana Point Harbor. The East and West marinas were constructed by private leaseholders and are in need of refurbishment. The East Marina includes 1,359 berths, approximately 1,100 Cove and Island (see aerial, page 2) parking spaces, and eight public restroom/office buildings. The West Marina includes 842 berths, approximately 700 Cove and Island parking spaces, and six public restroom/office buildings. The West Marina is currently under a concessionaire contract which expires in October, 2005. The County will take over management of the West Marina in November 2005.

This loan covers: 1) demolition and reconstruction of 240 berths in the East Marina, 2) demolition and reconstruction of 500 berths in the West Marina, 3) installation of gangways in both marinas, 4) fortification of the bulkhead, 5) replacement of dock utilities, 6) reconfiguration of a parking area, and 7) remodeling/expansion of the harbormaster/public restroom building.

As shown in this report, it is expected that the requisite factors necessary to establish the project's financial feasibility will be met. There is adequate capital to finance the project, estimated revenues exceed estimated expenses, and there is adequate collateral for the proposed loan.

Phase III funding of the \$15,000,000 loan is anticipated in FY 2006/07.

*DBW loans are funded exclusively through the Harbors and Watercraft Revolving Fund. These funds are derived from the gasoline taxes paid by boaters in California and the repayment of loan principal and interest. No State General Fund dollars are used*



# PROJECT

## INTRODUCTION

In FY 2004/05, the Boating and Waterways Commission approved the first of four anticipated loans to the County of Orange to improve the Dana Point Harbor Marina. The project is part of the larger Dana Point Harbor Revitalization Project. Each loan will cover a different stage of construction/improvement; and, each loan will be considered separately by the DBW Commission. This report concerns second phase funding of \$3,700,000 for that loan. First phase funding totaled \$1,500,000. The total loan amount is \$15,000,000.

DBW funding will be used only for the marina portion of the Dana Point Harbor Revitalization Project. The complete Dana Point Harbor Revitalization Project also includes the following landside improvements: 1) Construction of 127,350 sq. ft. of new or remodeled retail shop and restaurant space, 2) construction of two dry stack boat storage buildings with a total of 800 spaces, 3) reconfiguration of all existing surface parking areas for a total of 1,452 parking spaces, 4) repair/replacement of 1,500 linear ft. of bulkhead/quay walls, and 5) replacement of the existing 136-room hotel with a new hotel, including a maximum of 220 guest rooms with dining and meeting facilities. The Revitalization Project will be funded through the Department of Boating and Waterways (DBW) loan, the issuance of general obligation bonds to be repaid with net revenues from the Tidelands Trust, prepaid ground leases, and cash accumulation of net revenue over time or any combination of these sources.

## APPLICANT

The loan applicant for this project is the County of Orange (County). The County operates 27 regional parks, seven miles of beaches and three harbors. In March 2005, the County Board of Supervisors created the Dana Point Harbor Department to oversee Dana Point Harbor and to manage the Harbor Revitalization Project, as well as harbor operations. The County's Resource and Development Management Department, specifically the Harbors, Beaches and Parks division, will continue to manage the other two County harbors, the regional parks, and the historical facilities.

## PROJECT IDENTIFICATION

The proposed project is to make improvements to the Dana Point Harbor Marina. The harbor is divided into two marinas, the East Marina, originally constructed in 1971, and the West Marina, originally constructed in 1975. Both marinas were constructed by private leaseholders, and are in need of refurbishment. The East Marina includes 1,359 berths, approximately 1,100 Cove and Island (see aerial to left) parking spaces, and eight restroom/service buildings. The West Marina includes 842 berths, approximately 700 Cove and Island parking spaces, and six restroom/service

buildings. The West Marina is currently under a concessionaire contract which will expire in October, 2005. The County will take over management of the West Marina in November 2005. This project is being considered because both marinas are approximately 30 years old and in need of refurbishment. The East Marina will also be reconfigured with berth sizes more reflective of current market demand.

### **PROJECT LOCATION**

Dana Point Harbor is located on the coast between Los Angeles and San Diego. The harbor is located within the City of Dana Point, along the southern shoreline of Orange County. The Harbor is approximately midway (15 miles) between the City of Oceanside, to the south, and the City of Newport Beach to the north.

### **ACCESS TO PROJECT**

From Los Angeles take Interstate 5 (I-5) south, or from San Diego take I-5 north to the Pacific Coast Highway (PCH) exit at Capistrano Beach. Head north on PCH approximately one mile. Turn left on Dana Point Harbor Drive and travel 1/2 mile to the Dana Point Harbor entrance at Golden Lantern. The harbor is to the left.

### **AREA DESCRIPTION**

Dana Point Harbor is situated in a natural cove along the southern shoreline of Orange County. Steep bluffs surround it on the north and west and Doheny State Beach adjoins the Harbor on the southeast. The Harbor has established itself as one of the premier small boat harbors on the West Coast, with a diverse range of recreational and commercial activities. It is host to frequent annual events including the Festival of Whales in March, a boat show on Memorial Day weekend and the Tallships Festival in September. The population in Orange County as of January 1, 2004 was 3,016,298.

### **PREVIOUS COMMISSION ACTION**

The Boating and Waterways Commission previously consented to the following loans(s) for the construction of and/or improvements to the Dana Point Harbor Marina:

- ◆ In FY 2004/05, the Commission approved phase 1 of this loan in the amount of \$1,500,000.

There has been no other Commission loan action at this site.



# ENGINEERING CONSIDERATIONS

## INTRODUCTION

Before a project is submitted to the Governor for inclusion in the budget, Department of Boating and Waterways (DBW) staff reviews both the site and the application to verify that the proposed project will meet DBW standards when completed. Planning personnel visit the site and discuss project layout and components with the applicant. After an application is received DBW engineers review the project proposal. DBW's engineering review includes an analysis of site use, review of project components, and verification of estimated costs. Only after it is determined that the proposed project meets DBW standards and the preliminary cost estimate is verified is the project included in the budget.

Once the proposed project is approved by the DBW Commission, plans and specifications will be finalized and a final cost estimate will be determined for this project. If the final cost estimate exceeds the preliminary cost estimate the borrower has a number of options. It may either find additional funds elsewhere, alter or scale down the project, apply for additional funding, or discontinue the project. Any scope change or increase in cost to DBW requires additional Commission consideration. If the borrower discontinues the project any DBW funds expended by the borrower must be returned to DBW.

## PROPOSED PROJECT

The proposed Dana Point Harbor Marina project entails: 1) Replacement of 240 berths in Cove docks J-O in the East Marina, 2) replacement of 500 berths in Cove docks A-C in the West Marina, 2) installation of three barrier-free access aluminum gangways in the East Marina and four in the West Marina, 3) fortification of the bulkhead, 4) replacement of all dock and landside utilities (electrical, water, and fire), 5) reconfiguration of the parking area adjacent to the East Marina (Cove side), and 6) remodeling/expansion of harbormaster/public restroom building from 6,000 to 7,500 sq. ft.

In addition to the total number of berths shown in the berth size distribution table, there are 91 inside ties (25,542 LF) and 44 end ties (1,654 LF) in the West Marina in the existing configuration. These numbers will remain the same after the improvements are completed. In the East Marina, there are currently 30 inside ties (750 LF), 19 end ties (1,437 LF), and 28 side ties (1,209 LF) in the existing configuration: in the proposed configuration there will be 6 inside ties (650 LF), 16 end ties (1,060 LF), and 22 side ties (1,100 LF)



DANA POINT HARBOR - Existing and Proposed Berth Size Distribution				
Berth Size	East Marina		West Marina	
	Existing	Proposed	Existing	Proposed
20	29	0	0	0
21	13	0	0	0
22	0	0	18	18
24	0	0	94	94
25	617	288	88	88
26	63	0	224	224
28	0	0	114	114
30	305	338	74	74
31	0	2	0	0
31	0	2	0	0
35	160	110	96	96
38	0	4	0	0
40	89	141	42	42
43	0	4	0	0
45	48	211	48	48
50	12	12	22	22
52	0	0	12	12
55	14	16	10	10
60	9	9	0	0
Total # of Berths	1,359	1,137	842	842
Total LF	40,296	38,799	25,542	25,542

## COST ESTIMATE

### PROJECT ITEM

Demolition/Disposal	\$	2,260,000
Berths		5,030,000
Gangways		385,000
Bulkhead		1,450,000
Utilities		1,405,000
Parking Area		500,000
Harbormaster/Restroom		<del>583,000</del>
SUBTOTAL	\$	11,613,000
Contingency		1,159,000
Engineering		1,500,000
Inspection		570,000
Permits		<del>158,000</del>
TOTAL	\$	15,000,000

## CONCLUSION

There are no particularly difficult or unusual problems associated with this project. It is therefore considered feasible, from an engineering standpoint, at an estimated construction cost of \$15,000,000.

# ECONOMIC ANALYSIS

## INTRODUCTION

In addition to an engineering review, each loan project must meet DBW's economic feasibility requirements before it is submitted to the Boating and Waterways Commission for consideration. Economic feasibility is determined by three main factors: (1) the borrower demonstrates that adequate capital is available to finance the project to completion; (2) the borrower demonstrates that Project Area revenues will be sufficient to operate and maintain the Project Area, including the repayment of any debt; and (3) the borrower proposes adequate collateral for the loan.

## CAPITAL

Total cost of the first increment of the Dana Point Harbor Marina improvement project is expected to be \$15,000,000. The County will use DBW loan proceeds to finance these costs. There is, therefore, sufficient capital to construct the facilities to completion.

## REVENUES AND EXPENSES

A project's financial feasibility also depends on whether there will be sufficient revenue to pay for project expenses on an annual basis, including the repayment of the proposed DBW loan. The estimated revenues, expenses, and debt service (see Table 1) are as follows:

**TABLE 1**  
**DANA POINT HARBOR**  
**Annual Cash Flow Projections**  
(in 000's)

	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13
<b>REVENUE</b>								
<i>East Marina - Berths</i>	8,080	7,508	8,045	8,593	9,473	9,852	10,246	10,656
<i>East Marina - Other Revenues<sup>2</sup></i>	747	769	792	816	841	866	892	919
<i>West Marina - Berths</i>	4,425	4,372	4,666	4,978	5,177	5,384	5,599	5,823
<i>West Marina - Other Revenues<sup>2</sup></i>	223	230	237	244	251	259	266	274
<b>TOTAL REVENUE</b>	<b>13,475</b>	<b>12,879</b>	<b>13,740</b>	<b>14,631</b>	<b>15,742</b>	<b>16,360</b>	<b>17,004</b>	<b>17,672</b>
<b>OPERATING EXPENSES<sup>3</sup></b>	<b>3,557</b>	<b>3,903</b>	<b>4,273</b>	<b>4,444</b>	<b>4,710</b>	<b>4,899</b>	<b>5,095</b>	<b>5,298</b>
<b>RESERVES<sup>4</sup></b>	<b>270</b>	<b>258</b>	<b>275</b>	<b>293</b>	<b>315</b>	<b>327</b>	<b>340</b>	<b>353</b>
<b>DBW LOAN<sup>5</sup></b>		<b>338</b>	<b>676</b>	<b>921</b>	<b>921</b>	<b>921</b>	<b>921</b>	<b>921</b>
<b>TOTAL EXPENSES</b>	<b>3,827</b>	<b>4,499</b>	<b>5,224</b>	<b>5,658</b>	<b>5,946</b>	<b>6,147</b>	<b>6,356</b>	<b>6,572</b>
<b>NET REVENUE</b>	<b>9,649</b>	<b>8,381</b>	<b>8,516</b>	<b>8,973</b>	<b>9,796</b>	<b>10,213</b>	<b>10,648</b>	<b>11,100</b>

1) Berth rates in the East Basin Marina are between \$11.95 and \$20.38 per linear foot/month. Berth rates in the West Basin Marina are between \$7.36 and \$14.70 per linear foot/month. Berth rates are subject to an annual CPI increase not to exceed 4%, and each fourth year are subject to a market adjustment (FY 2005/06, FY 2009/10, etc.). A 10% vacancy is assumed in both basins during construction in FY 2006/07, and a 5% vacancy is assumed in FY 2007/08. Occupancy is otherwise assumed to be at 97%. (Actual occupancy is at 99% with a waiting list of 2,340 for 2,438 slips in the East and the West Marinas combined.)

2) Other revenues in the East Basin Marina include guest docks, parking, dry storage and office rent. Other revenues in the West Basin Marina include dry storage and office rent. These revenues are subject to a 3% annual CPI increase.

3) Operating expenses average 30% of gross operating revenues.

4) Reserve set aside for extraordinary maintenance - estimated as 2% of monthly gross operating revenues.

5) Proposed \$15,000,000 Boating and Waterways loan @ 4.5 % for 30 years. Interest-only payments are calculated for FY 2006/07 and FY 2007/08 with the assumption of 50% drawdown each year. If the second and third stages of \$15,000,000 are approved for this project, additional annual payments of \$921,000 for each stage could start as early as FY 2008/09 and FY 2010/11, respectively.

## REVENUES

Revenues to repay the DBW loan will be generated from marina revenues. Annual gross income from the East Harbor and the West Harbor is estimated at \$14,631,000 in FY 2008/09, when full payment begins. (see Table 1).

## EXPENSES

DBW estimates the annual debt service on the proposed total loan amount of \$15,000,000 to be \$921,000 with full payment commencing on 8/1/08. Total annual expenses are estimated to be \$5,658,000 in FY 2008/09. A breakdown of revenues and expenses for the Dana Point Harbor Marina is shown in Table 1.

## COLLATERAL

Collateral for the proposed loan will consist of a lease/leaseback of the marina (Between DBW and the County) with an assignment of rents and leases on marina revenues. Proposed collateral is sufficient to cover the Department's collateral requirements.

## RESERVES

An annual maintenance and dredging reserve account in the amount of two percent of annual gross revenues will be established by the County to cover required maintenance and dredging (see Table 1).

## FINANCIAL CONSIDERATIONS

The completed project will be open to all on an equal and reasonable basis. Berthing rates in the West Basin Marina are \$7.36 to \$14.70 per linear foot/month. Berthing rates in the East Basin Marina are \$11.95 to \$20.38 per linear foot/month. Berthing rates are subject to an annual CPI increase not to exceed four percent, and each fourth year are subject to a market adjustment.

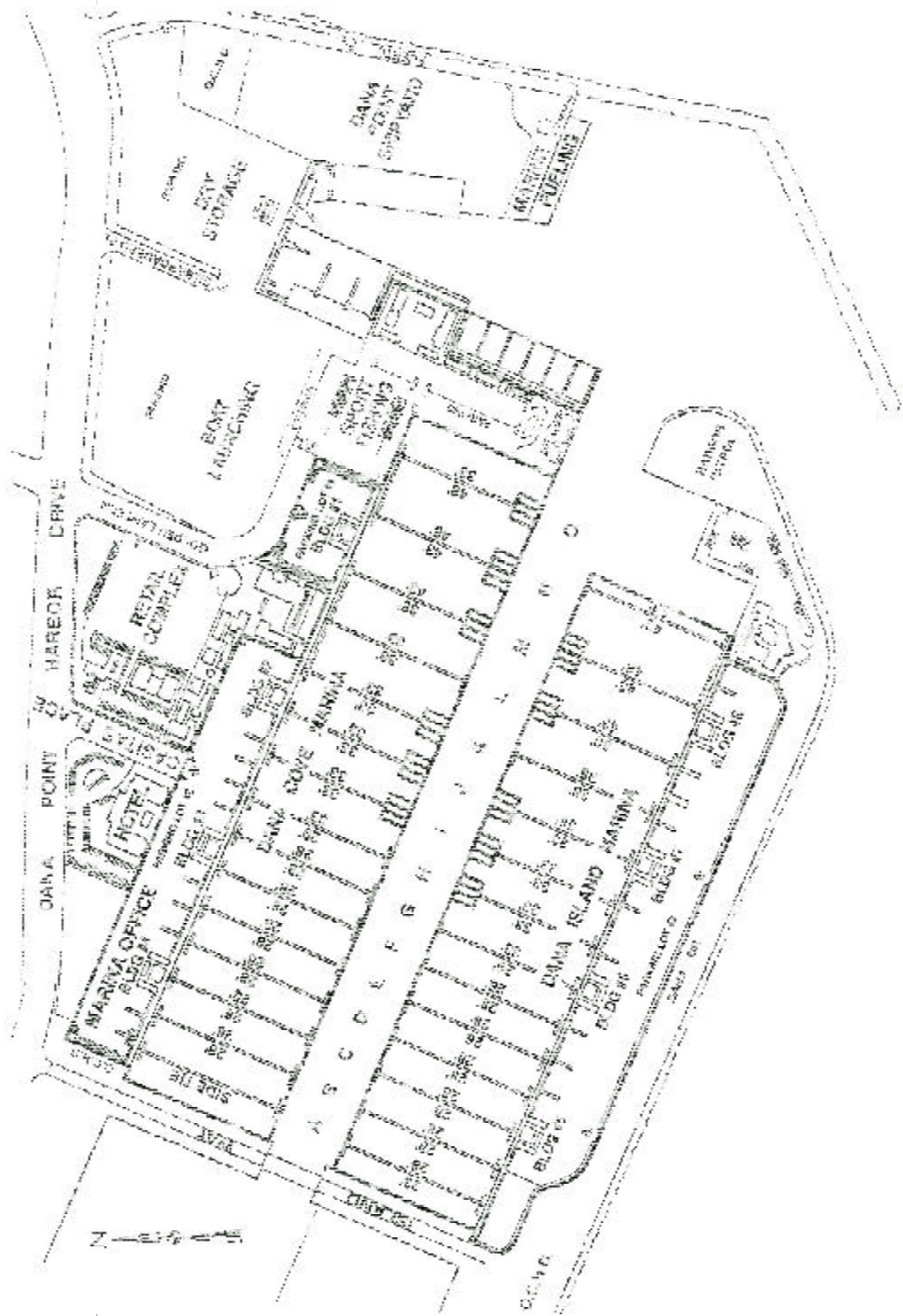
## CONCLUSION

This project is being recommended because both marinas are approximately 30 years old and in need of refurbishment. The East Marina will also be reconfigured with berth sizes and features more reflective of current market demand.

# RECOMMENDATION

In view of the foregoing demonstration of the project's engineering and financial feasibility, staff recommends that the Boating and Waterways Commission consent to second phase loan funding (totaling \$3,700,000) of the \$15,000,000 loan to the County of Orange for improvements to the Dana Point Harbor Marina.

**EAST MARINA**





# WEST MARINA

